



A HISTORY OF RECORD-SETTING VALUE CREATION





HÔTEL DE CRILLON, PARIS
ON THE COVER: BACCARAT HOTEL & RESIDENCES NEW YORK.

Starwood Capital Group is a 26-year-old private investment firm with:

- A primary focus on global real estate.
- Assets under management of approximately \$56 billion.
- More than 3,600 employees in 11 offices worldwide, and over 9,000 additional employees involved with multiple portfolio operating companies.

The Firm's disposition program maximizes the value of assets by:

- Focusing on fast-growing markets that are well-positioned to attract strong capital flows.
- Buying or developing properties that the Firm believes will be highly desirable to investors.
- Creating the optimal capital structure with the most advantageous financing terms.
- Implementing unique value-add asset management strategies for each investment.
- Combining design expertise and knowledge of customer needs to create environments that are special—thus producing real estate that is more valuable than the replacement cost of the individual bricks and mortar, and driving customers to pay more for our assets than for competing product in the market.
- Designing the optimal profile for each asset to appeal to the broadest possible universe of investors and most active buyers in a particular market.
- Identifying the ideal timing for the sale of an asset within a market.

The success of Starwood Capital's approach is underscored by the 13 record-setting asset sales the Firm has achieved in 11 different cities since 2010.

Starwood Capital’s opportunistic real estate program is distinguished by the Firm’s continuous ability to develop creative strategies to add value throughout the investment process—enabling the most advantageous exit.

This approach begins at the macro level. The investment team continually seeks to get ahead of capital flows in markets where strong economic, employment and population growth is projected to drive tenant demand, while focusing on those markets where new supply is limited. The Firm has found that capital flows often influence asset valuations as much as—or more than—local supply and demand trends. In addition, investing in primary and secondary markets with diverse demand drivers and deep buyer pools offers liquidity at various points in the economic cycle.

Next, the investment team’s focus turns to identifying and acquiring fundamentally sound properties that had previously lacked the proper capital, attention or effective management. Starwood Capital consistently looks for mismanaged or undercapitalized assets with the potential to deliver strong current cash yields, where a repositioning, renovation and/or re-tenanting can add value.

Starwood Capital then leverages the unique skill set of the Firm’s asset management team to create a dynamic asset management plan to stabilize, reposition or redevelop each property. Starwood Capital’s asset managers boast an unsurpassed combination of capital markets, design, construction and operational expertise that allows the Firm to enhance operational efficiencies, increase value and ultimately create assets that are highly attractive to investors. The objective is to produce real estate that is more valuable than the replacement cost of the bricks and mortar, driving customers to pay more for our assets than for competing product in the market. The team also seeks to design the optimal profile for each asset to appeal to the broadest possible universe of investors and most active buyers in a particular market.

Starwood Capital underwrites most opportunities assuming a three-to-five-year hold period, but continually monitors each investment’s performance, the market’s supply/demand dynamics and investor appetite to identify the optimal exit strategy. The Firm has a long

track record of designing exit strategies that can deliver maximum asset value. Starwood Capital maintains the flexibility to pursue a number of different exit strategies, including: 1) the sale of an individual asset, 2) the sale of a portfolio, 3) the sale of an operating company or 4) an initial public offering.

Highlighting its ability to pursue a wide variety of innovative exit strategies for its investments—as well as its efficient access to the capital markets—Starwood Capital has backed multiple IPOs since 2009. Perhaps most notably, the Firm in August 2009 created Starwood Property Trust, Inc. (NYSE: STWD), a publicly traded real estate finance company. With an initial market capitalization of \$950 million, Starwood Property Trust was, at the time of its IPO, the largest blind pool company ever created and traded on the NYSE—as well as the largest IPO of the year. The company has grown dramatically since that time, and is now the nation’s largest commercial mortgage REIT by market capitalization.

Starwood Capital believes that the current market offers the potential for compelling exit opportunities for stabilized assets. The team has observed a wave of capital seeking yield in today’s low-yield world, with sovereign wealth funds in particular moving aggressively into real estate investment—and the Firm expects this to remain a permanent allocation for many funds. As a result, Starwood Capital believes properties that are converted into consistent, cash-flowing, core assets can be profitably sold off to those investors who are increasingly viewing real estate as a bond substitute.

When pursuing a disposition, the team leverages its expansive network of relationships with real estate investors around the world to negotiate optimal sales terms for Starwood Capital’s funds and limited partners. In the process, the Firm has established new high-water marks in key asset classes and markets in the sale of many of its properties.



WALKER TOWER LIVING ROOM



ACE HOTEL LONDON SHOREDITCH GUEST ROOM

Starwood Capital's successful approach has produced a number of sales that have set new pricing records:

2010

DECEMBER 2010
Starwood Capital funds sell the Hôtel de Crillon for a record price for a Paris hotel



2014

JUNE 2014
A Starwood Capital fund sells a penthouse unit at Pierhouse at Brooklyn Bridge Park for a record price for a Brooklyn condo



JANUARY 2014
A Starwood Capital fund sells a penthouse unit at Walker Tower for a record price for a downtown Manhattan condo



JUNE 2014
A Starwood Capital fund sells One Union Station for a record price for a Denver office building

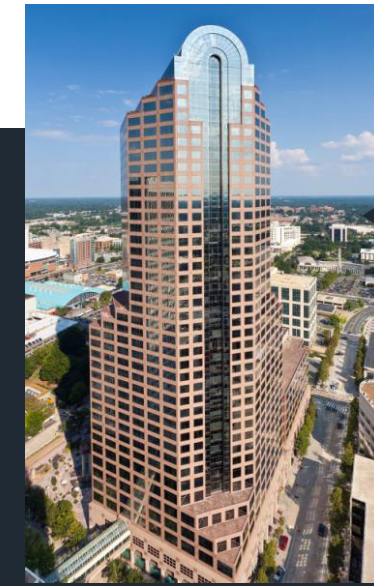
2016

MARCH 2016
Starwood Capital funds sell the Hilton Garden Inn Washington, D.C./Georgetown for a record price per key for a select-service hotel in D.C.



JUNE 2016
A Starwood Capital fund sells 16 Chestnut for a record price per buildable square foot for land in Denver

NOVEMBER 2016
A Starwood Capital fund agrees to sell The Park for a record price for a Czech Republic office transaction.



MARCH 2016
A Starwood Capital fund sells One Wells Fargo Center for a record price for a North Carolina asset

2015



MAY 2015
Starwood Capital funds sell the Baccarat Hotel New York for a record price per key for a North American hotel

MARCH 2015
A Starwood Capital fund sells the Ace Hotel London Shoreditch for a record price for an East London hotel

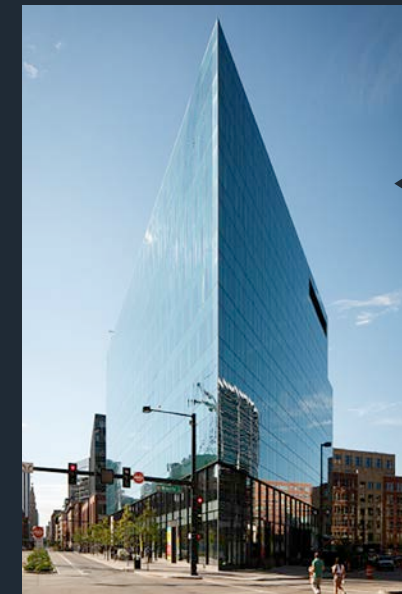


JULY 2015
A Starwood Capital fund sells Block 300 for a record price for a Portland office property



NOVEMBER 2015
A Starwood Capital separate account sells the Westin Bayshore for a record price for a Vancouver hotel

2017



MAY 2017
A Starwood Capital fund—for the second time—sets a record price per square foot for a Denver office building, with the sale of The Triangle Building

A REBIRTH FOR A PARIS ICON

HÔTEL DE CRILLON

On behalf of Starwood Opportunity Fund VII, Starwood Hospitality Fund I and SDL Co-Invest

In December 2005, Starwood Capital funds completed the \$3.2 billion acquisition of Groupe Taittinger and Société du Louvre (SDL), a family-controlled French conglomerate. At acquisition, SDL's assets included one of Europe's largest hotel networks—a unique collection of 15 luxury hotels, the most famous of which was the Hôtel de Crillon in Paris, as well as more than 800 budget hotels under three brands. SDL also owned several luxury goods businesses, including famed champagne producer Taittinger, iconic crystal maker Baccarat and Annick Goutal perfumes.

Commissioned in 1758 by Louis XV, the Hôtel de Crillon has long been a Paris landmark. The property opened its doors as a hotel in 1909, and has since hosted a who's who of royalty, statesmen, artists and entertainment figures. Located in the heart

of Paris on the world-famous Place de la Concorde, the Crillon is steps away from the boutiques of the Faubourg St.-Honore, and is within walking distance of the Champs Elysee, the Avenue Montaigne, the Louvre, the Tuileries Gardens, among the city's many acclaimed attractions. The hotel has served as the setting for a number of exclusive events, including the famous "Bal des Debutantes" and couture fashion shows.

The property features 103 guest rooms and 44 suites—including five luxurious "grand apartments." During Starwood Capital's ownership of the Crillon, the Firm's in-house design team completed a renovation of the hotel's prominent 18th century facade on the Place de la Concorde and oversaw interior design work with famed designer Thierry Despont.

Consistent with its meticulous disposition of the broader SDL portfolio of luxury hotels, Starwood Capital opted to take advantage of investor appetite for a trophy property such as the Crillon. In December 2010, the team sold the asset at a **price per key that set a new record for a Paris hotel.**

This investment displayed many of the hallmarks of Starwood Capital—creativity and agility, as well as perseverance. In the face of the Great Recession that hit the broader French economy particularly hard, Starwood Capital stayed the course, delivering operating efficiencies and design enhancements to the property. These attributes enabled the Firm to leverage its expertise in the hospitality industry to maximize the value of the Crillon.



A CONDO IN THE SKY GOES THROUGH THE ROOF

WALKER TOWER

On behalf of Starwood Opportunity Fund VIII

With its Walker Tower investment, Starwood Capital was able to position itself to capitalize on the New York City luxury condo boom. Originally approached to provide construction financing, the team instead proposed and, in December 2010, successfully negotiated a 50% interest in a 19-story condominium complex located at 212 West 18th Street, between 7th and 8th avenues, in New York City's stylish Chelsea neighborhood. At the time of acquisition, the Firm's outlook for high-end luxury development in the downtown Manhattan area was extremely positive, due to decreasing supply, a stable price environment, increasing sales volumes and limited new construction.

Originally built in 1929 for Bell Telephone Company, the property was designed by Ralph Thomas Walker—named "the architect of the century" by *The New*

York Times. Walker Tower presented an exciting redevelopment opportunity, due to its 13'6" average ceiling heights, art deco architecture, space for residential terraces, unobstructed views of the Empire State Building, Hudson River, New York Harbor and both midtown and downtown, neighborhood amenities and existing development rights. The transformation of the asset into 47 high-end residential condominiums involved a gut renovation of the entire building, as well as the construction of four additional floors.

Starwood Capital's in-house design staff, in collaboration with the Firm's development partners, produced what we believed to be an extraordinary product, featuring highly customized gourmet kitchens, Crestron AV automation systems, radiant floor heating, fireplaces, marble bathrooms with Waterworks

fixtures and steam showers, Nanz hardware, outdoor patios, and large windows framing some of the most panoramic views in Manhattan (which are protected by neighborhood building height limits). Clearly, the market agreed with the team's assessment—extremely high demand allowed Walker Tower to sell out at an average of \$3,750 per square foot. A full-floor penthouse unit in the building sold in January 2014 for \$51 million, or nearly \$8,400 per square foot—**setting a new record for a downtown Manhattan condominium transaction.**

Against a backdrop of continuing strong demand and an exceedingly limited inventory for new Manhattan luxury developments, Starwood Capital fully realized this exceptional investment in November 2014.

RIDING DOWNTOWN DENVER'S TRANSIT-LED RENAISSANCE

ONE UNION STATION, THE TRIANGLE BUILDING AND 16 CHESTNUT

On behalf of Starwood Opportunity Fund VIII

Starwood Capital had sought out an opportunity to work with a particular leading development firm that was serving as master developer for the 50-acre Union Station project in Denver, Colorado—the largest transit-oriented development in the United States. Union Station, which has become Denver's new transit hub, has been the beneficiary of almost \$500 million of public investment in light rail, heavy rail and bus infrastructure. The station serves as the final stop on the new rail transit system connecting to Denver International Airport. In 2011, after a fund operator failed to fund land takedown contracts for Union Station, this developer approached Starwood Capital to form a joint venture for the entire project.

The Union Station redevelopment afforded the Firm an opportunity to invest in the early stages of an impending citywide renaissance. The Firm also believed that the Lower Downtown (LoDo) area in particular (which includes the Union Station neighborhood) would emerge as the new city center. Finally, the distressed nature of the project allowed the Fund to invest at a modest basis, producing a low carry cost that could enable the Firm to remain patient as the strengthening market “came to us.”

As part of the JV, Starwood Opportunity Fund VIII's development partner contributed several undeveloped land parcels located within steps of the historic Union Station. The first building that the JV developed, the 112,000-square-foot One Union Station, was fully leased prior to the completion of construction, primarily to Antero Resources, a Denver-based energy company. In September 2013, the team took advantage of the area's surging office market to pre-sell the property upon completion in June 2014 to a non-U.S. investor for \$602 per square foot—**establishing a new high-water mark for Denver office pricing on a per-square-foot basis.**

The JV's success continued with its second property, The Triangle Building, which was completed in August 2015. Offering some 227,631 square feet of space, the 10-story building—which holds LEED Gold certification—has quickly become a landmark in the city. The main tenants of the property include the media firm Liberty Global, with approximately 86,111 square feet, WeWork, the world's largest provider of co-working spaces, which occupies approximately 72,118 square feet, and software company AutoDesk, which occupies approximately 37,674 square feet. In May 2017, we sold the property for \$154

million, or approximately \$677 per square foot—**setting another record price per square foot for a Denver office building.**

The third property, 16 Chestnut, was sold to an institutional core investor in June 2016, prior to the start of construction—**setting a record for highest price per buildable square foot paid for land in Denver,** and locking in profits without ever putting a shovel in the ground. The 430,000-square-foot building was 81% pre-leased to DaVita Healthcare Partners, the leading provider of kidney services in the United States. The JV created additional value by completing all pre-development design work and securing an assignable guaranteed maximum price contract with a well-respected contractor to begin construction less than one week after the disposition closed. This strategic trade prior to construction allowed the venture to earn a 4.0x multiple on its invested capital without taking on any construction risk.

Finally, the venture optioned two sites—B Block and Market Street. In August 2015 the JV sold the B-Block parcel for a substantial profit, just one year after purchasing the site. Starwood Capital sold its interest in the Market Street option in November 2015.



A SIGNATURE DEVELOPMENT GROWS IN BROOKLYN

PIERHOUSE AT BROOKLYN BRIDGE PARK

On behalf of Starwood Distressed Opportunity Fund IX

In 2011, Brooklyn Bridge Park Corp., a New York City-owned non-profit, circulated a request for proposals for the development of an iconic waterfront site located just south of the Brooklyn Bridge alongside a series of new parks. After multiple rounds, the project was awarded to a 50/50 joint venture that Starwood Capital established with one of the nation's most experienced luxury residential developers.

The site is located on the northernmost pier at Brooklyn Bridge Park, and serves as the focal point for the new park by connecting Dumbo and Brooklyn Heights, Brooklyn's two most sought-after neighborhoods. With sweeping views of the Manhattan skyline and waterfront, and direct access to the park, the location is arguably the finest development site in Brooklyn, if not all of New York City. The park encompasses 85 acres of land, including several waterfront lawns, various sports fields and an additional eight acres dedicated to hotel, residential and retail uses. The adjacent portion of the park at Pier 1 includes a 9.5-acre lawn designed by prominent landscape artist Michael Van Valkenburgh.

Adjacent to 1 Hotel Brooklyn Bridge, the JV also developed 106 condo units in Pierhouse at Brooklyn Bridge Park. The condos have

been designed with a townhome feel, consistent with Brooklyn's brownstone neighborhood character. To capitalize on the priceless views, many units feature double-height windows and private outdoor spaces. In fact, the top-floor residences feature more private outdoor space on average than any competing offering in Brooklyn.

Under the supervision of Starwood Capital's in-house design team, Pierhouse's kitchens boast Gaggenau appliances, Calacatta Tucci marble countertops, solid American walnut cabinets and locally sourced 18-bottle undercounter wine storage. Bathrooms feature Waterworks fixtures, Ruscello Fosso Picollo marble floors, and walnut and brushed nickel vanities. The selection of granite for the building's exterior was inspired by the Brooklyn Bridge, which is visible just to the north of Pierhouse. The interiors and exteriors were sustainably designed by Incorporated Architecture & Design and Marvel Architects.

Residents of Pierhouse have access to a number of amenities, including two 24-hour attended lobbies, multiple fitness centers, a meditation studio, a resident event space, a children's playroom, a pet wash, refrigerated storage and onsite valet parking. In addition, residents enjoy the services of the adjoining

hotel, including a world-class spa, a rooftop pool and bar, an artisanal café and juice bar, a wedding terrace, private dining rooms and over 20,000 square feet of event space—a rare amenity in the New York City hotel market. Both 1 Hotel Brooklyn Bridge and Pierhouse are expected to receive LEED certification from the U.S. Green Building Council for their eco-friendly design and sustainability.

When Starwood Capital made this investment via Starwood Distressed Opportunity Fund IX, the team believed that the Fund's downside was well-protected and that significant upside existed. At the time, Brooklyn's popularity as a residential alternative to Manhattan was continuing to increase, and assets in the area were yielding substantial price appreciation. The Brooklyn residential market continued to boom in the intervening years, thereby validating the team's investment thesis.

Due to a lack of comparable properties, the Starwood Capital team has strategically pushed prices on the Pierhouse condos by releasing inventory in limited batches. In 2017, we sold a four-bedroom penthouse for \$10.5M— **setting a record for a Brooklyn condo on a gross-value basis.**



ONE UNION STATION



16 CHESTNUT

HARNESSING THE ENERGY OF AN EMERGING LONDON NEIGHBORHOOD

ACE HOTEL LONDON SHOREDITCH

On behalf of Starwood Opportunity Fund VIII and Starwood Hospitality Fund II

Starwood Capital's investment team was early in recognizing the potential of Shoreditch to emerge as one of London's hottest neighborhoods, as the home of so much of the city's creative output in the areas of technology, media and the arts. In June 2012, Starwood Capital, via Starwood Opportunity Fund VIII and Starwood Hospitality Fund II, purchased a Crown Plaza hotel out of an administration proceeding from Ireland's National Asset Management Agency (NAMA). A large Irish bank had foreclosed on the previous owner midway through an expansion of the hotel, and NAMA took over the lender. As a condition of Starwood Capital's acquisition, NAMA completed an expansion that increased the hotel's key count from 196 to 264.

The property boasted a prime position on Shoreditch High Street, with excellent retail frontage in the heart of this up-and-coming neighborhood, just north of the financial district within the City of London. However, the Starwood Capital team believed that the Crowne Plaza brand did not maximize the potential of this superb location. As a result, Starwood Capital moved to sign development management, hotel management and owner's agreements with Ace Hotels, which the team viewed as the ideal brand for the area given the success of the company's properties in New York and other U.S.

cities. The partnership represented Ace's first project outside the United States.

Following an extensive refurbishment—the result of a close collaboration between Starwood Capital's in-house design group and Ace—the asset reopened as the Ace Hotel London Shoreditch in September 2013, and was subsequently honored for "Best Renovation" at the 2014 European Hotel Design Awards. The transformed asset included a focal-point lobby bar, the Miranda nightclub, the Hoi Polloi restaurant, the Bulldog coffee shop and three retail units. The property also featured an events space on the 7th floor with sweeping city views and an outdoor terrace, following the conversion of the former hotel restaurant and meeting space.

In the wake of this successful redevelopment, the Starwood Capital team decided to capitalize on robust post-renovation operating performance and a buoyant London market to sell the property in March 2015—and, in the process, **set a new record for a hotel sales price for East London.** With the Ace Hotel London Shoreditch, Starwood Capital helped create a 24/7 gathering place that reflects the area's palpable energy, and which should continue to enhance the community by inspiring residents and visitors alike.



CREATING A NEW CONCEPT IN HOSPITALITY

BACCARAT HOTEL NEW YORK

On behalf of Starwood Opportunity Fund VIII, Starwood Hospitality Fund II and Baccarat Co-Invest

In June 2011, Starwood Opportunity Fund VIII, Hospitality Fund II and an LP co-investment vehicle capitalized on the opportunity to purchase a property located at one of Manhattan's most prestigious addresses. Through a privately negotiated transaction, the team acquired the former Donnell Library site at 20 West 53rd Street, between 5th and 6th avenues—directly across the street from the Museum of Modern Art (MoMA), steps from New York City's premier retail corridor and within walking distance of numerous tourist destinations, theaters and restaurants.

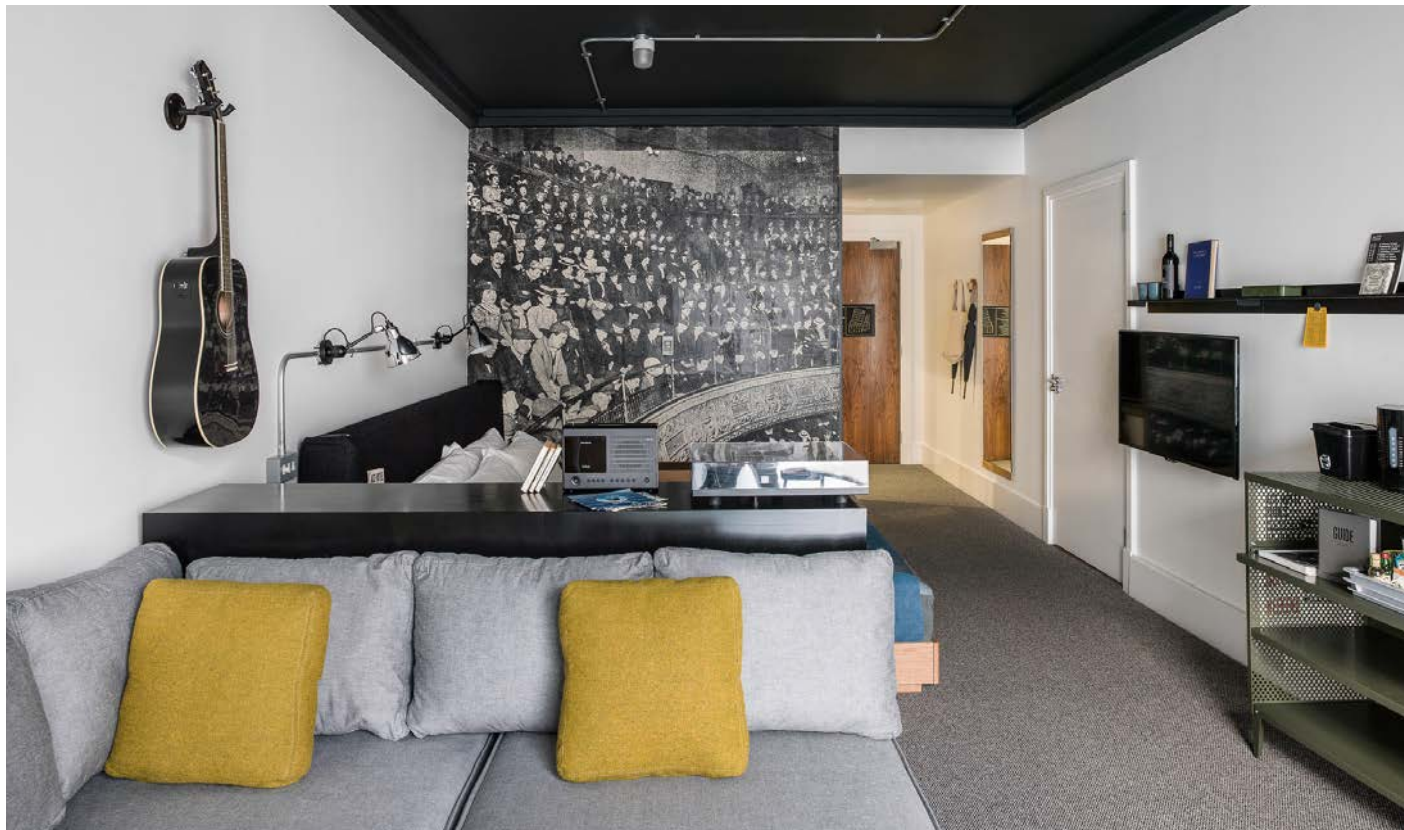
At the time of acquisition, the Starwood Capital team believed that its all-in basis on the land was extremely attractive and well below market. The team also viewed the market backdrop at the time as extremely supportive. Coupled with robust anticipated demand, the team knew there was limited new supply of luxury hotel and residential product in the pipeline, and saw an opportunity to garner a first-mover advantage.

Over the next several years, Starwood Capital's in-house design team spearheaded an ambitious redevelopment of the property into the global flagship of Baccarat Hotels & Resorts—marking the entry of the world-famous, 250-year-old Baccarat brand into the hospitality arena. Adorned with a 125-foot-wide, corrugated crystal facade rising 60 feet above the sidewalk, the 50-story

building glows from the inside out, celebrating the quality of light and embodying the legacy of Baccarat crystal. The hotel features 114 elegantly appointed, floor-to-ceiling-windowed rooms, as well as 59 private residences. The property also offers the stunning Bar at Baccarat adjacent to the opulent Grand Salon, an outdoor terrace overlooking the MoMA, an exquisite indoor pool and the first dedicated spa from leading skin care provider La Mer.

Capitalizing on the robust New York City hotel market and the successful realization of its vision for the property, Starwood Capital tapped into its capital relationships to pursue aggressive potential buyers. As a result, the Firm reached an agreement in January 2015 to sell the Baccarat Hotel New York to one of the largest insurance and investment firms in China, prior to the March 2015 opening—and, in the process, **set a new record for a North American hotel sale, at over \$2 million per key.** Starwood Capital affiliate SH Group continues to manage the property under a long-term contract.

The Starwood Capital team is proud to be able to honor Baccarat's unique heritage and also create a groundbreaking vision of modern luxury—all while maximizing value to the ultimate benefit of the Firm's investors.





A PREMIER CREATIVE OFFICE BUILDING FOR PORTLAND'S NEW ERA

BLOCK 300

On behalf of Starwood Debt Fund II

In September 2008, Starwood Capital via Starwood Debt Fund II purchased a portion of a senior unsecured bond issue from a publicly traded Australian REIT that owned 28 Class A office buildings leased by the U.S. government through the General Services Administration (GSA). After the U.S. REIT filed for bankruptcy in January 2010, due to the insolvency of its parent, Starwood Capital led a reorganization—and, in September 2010, emerged from the process with ownership of the company's equity with two partners.

Included in the portfolio was a 360,000 square foot office building in downtown Portland, Oregon. Designed by acclaimed local architecture firm ZGR, the asset—formerly known as Robert Duncan Plaza—served in its initial incarnation as a build-to-suit facility for the regional headquarters of the GSA. Occupying a full city block along the Willamette River, the building is located adjacent to both a Max light rail station and the highly trafficked Morrison Bridge, and boasts unsurpassed 360 degree views encompassing the city skyline, Mount Hood and Mount St. Helens.

Recognizing the property's potential, Starwood Capital spearheaded an ambitious, \$14 million renovation that reimagined the building for tech-savvy, creative office users. The newly rebranded Block 300 included: high-end, open-plan buildouts; a fully redesigned lobby, with a living green wall and a new entryway; a fully updated fitness center with locker rooms and showers; a redesigned bike storage facility; a state-of-the-art conference center; fully renovated restrooms throughout the building; beautifully modernized elevator cabs; enhanced exterior landscaping; a brand-new management office; and construction-ready retail and restaurant storefronts. Its sustainable design and operations garnered the property LEED Gold certification in June 2014.

The Firm's innovative repositioning of the property—as well as floor plates that were among the largest in the market—helped attract a blue-chip roster of tenants, including leading tech companies Aruba Networks (whose lease was the highest rent executed in the Portland central business district in 2014), Puppet Labs and Crowd Compass, as well as the GSA (whose lease on the first floor was the highest executed in Portland to that point in the business cycle).

The investment also reflected Starwood Capital's bullish view on Portland. The city's strong macroeconomic fundamentals, coupled with one of the best qualities of life in the nation, has enabled it to serve as a magnet for companies and employees alike.

Numerous technology firms in particular have taken root or expanded their operations to Portland, given the city's world-class public transportation system, affordable cost of living and deep pool of local talent. In such a highly competitive employment market, tech companies often rely heavily on their office space as both a recruitment tool and as a source of corporate identity. Starwood Capital's design leadership and aggressive asset management helped transform Block 300 into what we believed was Portland's premier creative office building. Our thesis was confirmed in July 2015, when we sold the asset for more than \$155 million—**setting a new per-square-foot record for the sale of a multi-tenant office building, as well as a new cap-rate mark for a Portland office property.**

CAPITALIZING ON THE VANCOUVER BOOM

WESTIN BAYSHORE

On behalf of a Separate Account

In 2005, Starwood Capital on behalf of a limited partner took advantage of the opportunity to acquire and manage a portfolio of market-leading Canadian hotels that included the Westin Bayshore in Vancouver, British Columbia.

The Westin Bayshore has long been a downtown Vancouver landmark, with a stunning vantage point on the Coal Harbour waterfront, adjacent to the 1,000-acre Stanley Park. The hotel is conveniently located next to the downtown Financial District, as well as Vancouver's main conference facility at Canada Place, the Vancouver Port Authority Corporate Offices, Cruise Ship Terminal, CN IMAX Theatre and World Trade Center Office Complex. The hotel is also a short drive from GM Place (home of the NHL's Vancouver Canucks), BC Place (home of Major League Soccer's Vancouver Whitecaps and the BC Lions football team), and the retail and culinary center of Robson Street, Yaletown and Gastown. Vancouver is a leading tourist destination, as well as a major center for the

global mining industry. Bolstered by an influx of foreign capital—particularly from Asia—the city has also seen its property market reach unprecedented heights in recent years.

The Westin Bayshore's location and breadth of amenities create a resort-like atmosphere that has established the property as Vancouver's only true destination resort hotel. The property also boasts the potential for a pioneering development project through the addition of up to 185,000 square feet of residential, hotel and retail space—optionality that prospective buyers viewed as extremely valuable, particular given the 6.33-acre property's position within the mature, upscale and highly-sought-after Coal Harbour residential neighborhood.

During the hold period, Starwood Capital's asset management team focused on revenue management strategies to maximize higher-rated transient rates during the prime summer season. The team also restructured the asset's management agreement in

conjunction with a recapitalization in 2013—resulting in substantial savings in management fees. Perhaps most significantly, we waited patiently for the proper level of capital to flow into the market. Over the course of its ownership, the Firm received a number of inquiries from investors into the development potential for the property—including offers exceeding the underwritten exit value—yet turned them down, confident that the asset's value would increase to reflect its status as one of the best sites in Vancouver. This approach proved to be prudent, as the strong real estate fundamentals for Vancouver in general, coupled with limited competitive development sites, record-high residential sales and significant foreign inbound investment activity, all helped drive up the price for the Westin Bayshore. Ultimately, the property was sold in November 2015 for \$290 million—a record for a Vancouver hotel on both a per-key and gross-value basis. The transaction also represented the largest single-asset sale in Canada in 2015.





CAPTURING CAPITAL FLOWS IN CHARLOTTE

ONE WELLS FARGO CENTER

On behalf of Starwood Distressed Opportunity Fund IX

In Charlotte, Starwood Capital's investment team saw a city primed to attract capital. By 2013, Charlotte's economic growth had driven occupancy rates for Class A office towers within the central business district to approximately 95%, and the area's five-year job and population growth numbers were expected to nearly double the national average.

Against this backdrop, Starwood Distressed Opportunity Fund IX was able to purchase one of Charlotte's premier office buildings—One Wells Fargo Center, a 1 million square-foot, 42 story Class A tower—at a 45% discount to replacement cost. Starwood Capital capitalized on this off-market opportunity due to the team's

ability to move quickly and provide the seller with certainty of closing.

Constructed in 1988 as First Union's corporate headquarters, the building served as Wachovia's headquarters and subsequently as the East Coast headquarters for Wells Fargo. The asset had averaged more than 98% occupancy over the 20 years prior to Starwood Capital's acquisition, and was 98% leased when the Firm purchased it. Seven of the top nine tenants (92% of the rentable area) were original to the building, with Wells Fargo alone holding a lease through 2021 on 687,000 square feet (70% of the building). During Starwood Capital's ownership of the asset, the Firm achieved

significant leasing traction, attracting several regional and national law firm tenants to long-term leases.

After observing robust capital flows driving pricing for competitor buildings to attractive levels, and with the capital markets environment continuing to strengthen, Starwood Capital decided to sell One Wells Fargo Center in March 2016 for \$284 million—\$40 million above the team's acquisition basis. In the process, Starwood Capital established a **new record price for a single-asset sale not only for Charlotte, but for North Carolina as a whole.**

HARVESTING VALUE AMID RIPENING CONDITIONS IN D.C.

HILTON GARDEN INN WASHINGTON, D.C./GEORGETOWN

On behalf of Starwood Opportunity Fund VII and Starwood Hospitality Fund I

The Firm, via Starwood Opportunity Fund VII and Starwood Hospitality Fund I, purchased a premier site in the heart of Washington, D.C. in November 2006. The property occupied a prime location on the corner of 22nd and M Streets NW, at the confluence of DuPont Circle, Foggy Bottom, Georgetown, Downtown and the West End. Surrounded by luxury hotels, residential apartments/condominiums and approximately 4.5 million square feet of office space, the site offered easy access to all of D.C.'s major tourist attractions, as well as its primary government, diplomatic and corporate centers. More broadly, the site presented the opportunity to build a hotel in an international gateway market with strong fundamentals.

However, the Great Recession prompted a significant market decline, and Starwood Capital decided to suspend development in 2009. When the economy subsequently improved in 2011, Starwood Capital formed a joint venture with a leading hotel developer in 2011 and moved forward with plans to construct a 238-key Hilton Garden Inn on the site.

Opened in May 2014, the 10-story Hilton Garden Inn Washington, D.C./Georgetown features a steel-and-glass facade that delivers

a full-service look and feel—along with meeting space and a leased, three-meal restaurant—while simultaneously generating select-service operating margins. The hotel received LEED Silver certification due to its many green features—including condensate and ventilation recovery systems, low volatile organic compound finishes and seven separate vegetative roofs over three different levels of the property. At the market level, a scarcity of available sites in the mature West End/Georgetown area, as well as the difficulty of justifying lodging as the optimal use for development, restricted new supply.

Opting to capitalize on the successful ramp-up of the asset within the first year of operation, the strength of D.C.'s lodging fundamentals and recent sales activity in the area, Starwood Capital negotiated a sale of the hotel in March 2016 for \$106.5 million, or approximately \$448,000 per key—a **record price per key for a select-service hotel in the city.** The Firm views this achievement as a tribute to the asset management team's proven ability to add value to investments, especially given the challenges posed by the economic downturn during the hold period.





A PREMIER PRAGUE OFFICE CAMPUS GARNERS ATTENTION

THE PARK

On Behalf of Starwood Distressed Opportunity Fund IX

In July 2013, Starwood Distressed Opportunity Fund IX (SOF IX) acquired what the team viewed as one of the leading office assets in Central and Eastern Europe. The Park, a Class A office campus located just outside of Prague, included 1.25 million square feet across 12 buildings, as well as 1,971 parking spaces. SOF IX purchased the property at an attractive cap rate from a fund that was forced to sell because its fund life was maturing.

Located next to a major transit stop, The Park boasted easy access to the D highway connecting Prague to Brno (the second-largest city in the Czech Republic), Bratislava and Vienna. The property was also adjacent to a large, regional shopping center. DHL served as the anchor tenant of The Park, with 323,000 square feet of office space that included the logistics provider's global IT headquarters. Other blue-chip tenants included IBM, Honeywell, CA, Accenture, Sony and AB InBev. From The Park's opening in 2002 to the time of our acquisition, renewals had exceeded 95%, and only eight tenants—representing less than 2.5% of the total leasable area— had vacated by choice.

At the time of our acquisition, we believed that the Czech economy would continue to flourish, while demand for high-quality office space in Prague, in particular, would exceed supply. During the hold period, we improved the asset's income and weighted average lease term profile, while maintaining its high physical quality and overall appeal.

After observing increased investment activity in the region, as well as the completion of several sizable transactions, the team decided that an accelerated exit offered the best risk/return profile for the Fund. Following a marketed sales process, we sold The Park in November 2016—**setting a record for the largest office transaction in the Czech Republic's history**. We are pleased that our investment thesis played out as anticipated, and that we were able to maximize The Park's value for the benefit of our investors.

OUR MISSION

Over the last 26 years, Starwood Capital's opportunistic approach to real estate investing, comprehensive asset management skills and disposition expertise have enabled the Firm to consistently maximize the value of its assets. The many record-setting sales completed by the Firm underscore the success of this approach. More importantly, these dispositions reflect Starwood Capital's focus on delivering robust returns to its funds' limited partners and helping preserve the capital of investors' broader portfolios. With the finest team in Starwood Capital's history implementing the Firm's investment strategy, we have never been better positioned to establish new benchmarks for the market and for our investors.

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